

STATEMENT OF SECRETARY SHAUN DONOVAN
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HEARING BEFORE THE
SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON DISASTER RECOVERY
“FIVE YEARS LATER: AN EXAMINATION OF LESSONS LEARNED, PROGRESS MADE, AND WORK
REMAINING FROM HURRICANE KATRINA”
THURSDAY, AUGUST 26, 2010

Good morning Chairwoman Landrieu, and Members of the Committee. Thank you for inviting me today to testify before you on the fifth anniversary of Hurricane Katrina. As you know, since taking office, the Obama Administration has worked hard to provide residents of the Gulf Coast with the tools they need to recover from the hurricanes and to rebuild their lives and communities.

Today, I would like to discuss the scope of HUD’s efforts to make that possible – where we were when President Obama took office, the progress we have made since that time, and the steps we still need to take to ensure that the resources we’ve provided are used in the most effective way to help people move back into their homes and revitalize the region.

While I hope to speak to the totality of HUD’s efforts in the last 18 months, I want to make special mention of neighborhood revitalization efforts we are currently involved in and are working on with state and local leaders, with a focus on blight reduction and holistic community development, as well as economic development efforts and how they are leading to increased opportunity and participation of small and minority businesses and low income families.

The Obama Administration’s Commitment to Rebuilding New Orleans and the Gulf Coast

Madam Chairwoman, too often in the years following the hurricanes, bureaucratic red tape was a barrier to revitalization and solving the hard problems in New Orleans and the Gulf Coast. The Obama Administration is deeply committed to serving the needs of Gulf Coast residents by cutting through this red tape that has delayed assistance, and to improving coordination among federal agencies and with state and local partners who have too-often failed to collaborate over the past five years.

As a result, nearly \$2.4 billion for public assistance projects in Louisiana and Mississippi has been obligated since the start of the Administration; and thousands of individuals who had been dependent on temporary disaster housing are on the road to self-sufficiency. Moreover, the American Recovery and Reinvestment Act (ARRA) has provided critical resources to the Gulf to help with recovery and revitalization.

President Obama has also worked to improve disaster preparedness, response, and recovery nationwide, so that the Gulf Coast and all other regions of the country will be more resilient and better prepared in the face of future disasters of all stripes. Efforts HUD is involved with include improving post-disaster housing opportunities and programs and working with state and local governments, community stakeholders, and individuals to improve preparedness and capacity for long-term recovery from disasters.

Scope of Disaster and Response

Let me first provide some context on the scale of the problems the Gulf Coast faced in the wake of Hurricanes Katrina and Rita, and on HUD's overall response to the crisis. Combined, the two hurricanes caused unprecedented damage to the region, and the situation demanded efforts from the federal government that would match the scale of the problem. After an initial slow response, under this Administration, HUD and the rest of the Federal Government responded swiftly to help communities and individuals recover.

Emergency and Temporary Housing

The most immediate need from a housing standpoint was emergency housing and temporary shelter for those displaced by the storms. Recognizing the need for intergovernmental coordination, HUD worked with the Federal Emergency Management Agency (FEMA) in the aftermath of the storms to establish new voucher programs, and leveraged relationships with local Public Housing Agencies (PHAs) to serve displaced families. I would like to review some of those programs for you now.

KDHAP – Katrina Disaster Housing Assistance Program

The first temporary housing program created in the Gulf after Katrina was the Katrina Disaster Housing Assistance Program (KDHAP). This was created pursuant to a Mission Assignment from FEMA after Hurricane Katrina, and was an initiative designed to aid families who were already HUD-assisted prior to the disaster in finding temporary housing starting in October 2005. The total amount expended under KDHAP was \$31 million. The program served approximately 9,000 families immediately following Hurricane Katrina. Upon completion of this program in early 2006, families were eligible for assistance under the Disaster Voucher Program.

DHAP – Disaster Housing Assistance Program

In an effort to expand HUD's temporary housing assistance to families displaced by Hurricanes Katrina and Rita but not already assisted by HUD programs, the initial Disaster Housing Assistance Program (DHAP) was created in July 2007. A subsequent program, DHAP-Ike, was created in September 2008 in response to Hurricanes Gustav and Ike. Authorization for the DHAP occurs through Inter-Agency Agreements (IAA) between HUD and FEMA. The DHAP-Katrina provided both disaster housing rental assistance and case management services to impacted families.

Under DHAP Katrina, FEMA referred approximately 47,000 families to HUD for assistance. Not all families agreed to participate. Ultimately, through DHAP Katrina HUD provided rental assistance and case management to 36,792 families.

The total amount of funding authorized by the FEMA-HUD Interagency Agreement for the DHAP-Katrina was up to \$610 million in anticipation of need. To date, approximately \$540

million from this authorized amount has been provided to more than 300 Public Housing Agencies: \$330 million for rental assistance payments, and \$210 million for placement services, case management, and to administer the program.

DVP – Disaster Voucher Program

Beginning in February 2006, Congress made a direct appropriation through the Disaster Voucher Program (DVP) to help previously HUD-assisted families after Hurricanes Katrina, Rita and Wilma. The program covers housing costs for families who lived in public housing or received other HUD rental assistance but were displaced by the hurricanes. Funds for this program were initiated by the Department of Defense Appropriations Act, 2006, and later amended by Section 7028 of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery. As of August 2010, \$370 million has been disbursed to PHAs.

Over 36,000 families have been served under this program since its creation. As of August 2010, 500 families continue to receive rental assistance through DVP. Approximately half of the current DVP population is eligible for Tenant Protection Vouchers (TPV). The remaining half is eligible to apply for HCV assistance under other voucher funding targeting Public Housing Agencies in disaster impacted areas, and HUD staff are working aggressively to convert DVP families under these efforts. The DVP is scheduled to end in September 2010.

HUD requested funding in the FY 2011 budget to provide regular voucher assistance to DVP families that may be without permanent housing as of September 30, 2010 because they were unable to convert under TPV or other HUD programs, and I urge Congress to respond to this critical need.

REO - Real Estate-Owned Single-Family Properties

HUD has maintained a commitment to working in collaboration with agencies and offices across the federal government in order to best serve the residents of the Gulf region. As part of that commitment, after Hurricanes Katrina and Rita HUD entered into a Memorandum of Understanding (MOU) with FEMA to identify single family properties that could be made available to hurricane evacuees for temporary housing. Working through our management and marketing (M&M) contractors HUD identified 6,800 properties in 11 states and removed them from the market. Eventually, on these properties generally sold “as-is,” repairs were completed on 2,139 homes, of which 2,066 were ultimately leased to hurricane evacuees, and only 360 remain so today.

Disaster Recovery Community Development Block Grants

Madam Chairwoman, I’d like to take a moment to commend Congress for its historic response in the aftermath of Hurricanes Katrina and Rita. Congress had never committed as many resources to disaster response and reconstruction as it did in the Gulf Coast. Through HUD’s Disaster Recovery Community Development Block Grant allocations, Congress has invested nearly \$19.7 billion across five states. I’d like to thank you in particular, Madam

Chairwoman, for your leadership on this issue. Due in no small part to your work, the residents of the Gulf Coast are getting the resources they need.

These Disaster Recovery CDBG allocations have served as one of the primary funding sources driving the rebuilding and recovery of the Gulf Coast. The grants are a flexible source of funding that have been meeting the outstanding needs of individuals and communities that traditional FEMA and SBA disaster funding cannot address. The CDBG program has been vital in helping communities plan for and implement a holistic approach to long-term rebuilding as it is able to be used for housing, infrastructure, and economic development.

Approximately \$14.7 billion has been disbursed by states to date. The majority of the remaining funds have been dedicated toward local infrastructure projects that are still in the midst of design and construction. This monumental investment has played a critical role not only in enabling comprehensive, sustainable recovery at the neighborhood level, it has created countless jobs through its expenditure throughout Gulf Coast communities.

Strengthening Disaster Recovery CDBG Programs

But Madam Chairwoman, as we all know and as the Obama Administration has emphasized, simply throwing money at the problem cannot sufficiently address the needs of Gulf Coast residents. That's why HUD has been committed to making sure the taxpayer's money is used intelligently and thoughtfully. I'd like to talk for a moment about how HUD has worked to make these funding programs not simply bigger, but better.

Disaster Recovery CDBG Waivers

I'm proud to say that in order to find the flexibility to help CDBG grantees meet their needs, HUD took unprecedented measures to ensure the program provided help to Gulf Coast residents. HUD has issued more than 100 waivers under the Disaster Recovery CDBG program to streamline and simplify application procedures, and has expanded the scope of what States were allowed to do to address needs. This has enabled communities to meet the unique challenges of the extraordinary circumstances they face.

For example, Madam Chairwoman, HUD used CDBG grants to fund direct compensation to displaced homeowners. Helping these families, quickly and directly, was the priority, and over \$8.5 billion has been disbursed to more than 127,000 homeowners in Louisiana alone to help compensate them for their disaster-related financial loss.

Everyone recognizes, Madam Chairwoman, the impact the loss of Louisiana marshes and wetlands has had on forming a natural barrier for future hurricane and storm protection. Understanding that billions of dollars would be invested in rebuilding coastal communities, HUD believed that those investments should also be protected by encouraging efforts to restore Louisiana's natural barriers. To do this, HUD took an unprecedented step towards providing the flexibility necessary to allow CDBG funding to be used for coastal restoration projects.

Another example of HUD's willingness to innovate in helping the Gulf Coast rebuild was our decision to grant all Gulf states a waiver to allow them to construct new housing with CDBG grants. The resources allowed them not just to rebuild, but to rebuild in safer locations, engage in a smarter recovery, and if needed, restructure communities for a better future.

HUD also provided a waiver to Louisiana and Mississippi to help them rebuild their tourism economies, realizing that strengthened tourism in the wake of the hurricanes would have a substantial economic benefit to devastated Gulf Coast communities. This sort of flexibility is a hallmark of a government that is determined to cut through red tape and meet the real needs of communities.

Technical Assistance

HUD also responded to the hurricane recovery with technical assistance. The department sent out staff from across the country to the Gulf region to provide direct daily contact with state and local governments to resolve recovery issues as they arose, devoting thousands of staff hours to the process. Even to this day, Madam Chairwoman, HUD has staff on the ground working daily with the affected states on their recovery efforts.

Fraud Prevention

With billions of dollars of taxpayer money at stake, in the wake of Hurricanes Katrina and Rita the HUD Inspector General (IG) set up office specifically in Gulf Coast, to combat the potential for fraud and abuse. To guard against fraud, the HUD program staff joined with the IG in training and information-sharing on the rules and regulations dealing with the previously unprecedented waivers and new programs that were being provided and developed. Moreover, HUD required states to establish their own internal auditors, and to make public their findings and recommendations in an effort to provide visibility and accountability in their use of public funds.

Homeownership Assistance Programs

One of the core needs of Gulf Coast residents in the wake of Hurricanes Katrina and Rita was simple assistance to homeowners whose residences were damaged or destroyed by the storms. HUD worked to provide this assistance to residents all along the Gulf Coast. I would like to update you on these efforts.

Louisiana Road Home Program

With hundreds of thousands of homes damaged and destroyed, the Road Home Program is among the largest housing efforts ever undertaken by a state in our nation's history. The program is designed to provide compensation to homeowners whose homes were damaged by Katrina and Rita, and its scope has assisted homeowners across more than two dozen parishes throughout all of Southern Louisiana. However, the concentration was largest in Southeastern Louisiana, where nearly 46,000 homeowners received assistance in Orleans Parish alone.

This program is very close to its end. One year ago, more than 4,000 eligible applicants had yet to receive their program award. That number is now down to 170. In addition, more than 1,700 appeals were resolved over the last year, with only 103 remaining.

Homeowner Assistance Programs in Mississippi, Texas, and Alabama

Mississippi also suffered extensive damage as the eye of Katrina passed over communities such as Waveland and Pass Christian. The state of Mississippi received more than \$5 billion in CDBG funding to aid in the long-term recovery efforts. The Homeowners Assistance Program (HAP) is the primary housing recovery initiative in Mississippi and, as of early this month, more than 27,700 HAP grants have been paid out, totaling almost \$2.1 billion. An additional \$722 million has been directed to public housing units, small rental properties, long-term workforce housing and low-income housing tax credit projects, almost \$250 million for various economic development activities, and more than \$450 million for various community revitalization and infrastructure needs. While these efforts have yielded substantial benefits to the citizens of Mississippi, it should be noted that to date roughly a third of the CDBG disaster recovery funds directed to the state remain to be expended.

The state of Texas received \$503 million in CDBG disaster recovery funding primarily attributable to the effects of Hurricane Rita. The majority of these funds (\$373 million) have been directed to various housing purposes including homeowner rehabilitation activities and the provision of rental housing. While some of the housing initiatives established by the state were slow to unfold, \$388 million has already been expended. It should be noted that some of the delay with the post-Rita recovery effort in Texas is attributable to the fact that in September 2008 Hurricanes Ike and Gustav hit some of the same areas affected by Hurricane Rita in 2006.

Alabama received \$95.5 million and directed a substantial portion of that funding to the town of Bayou la Batre which used \$23 million for the purpose of installing new infrastructure for the town on higher ground to mitigate problems associated with future natural disasters. An additional \$10 million was directed to housing reconstruction purposes in Bayou la Batre with remaining funds distributed to other jurisdictions such as the city of Mobile and Mobile County for activities including owner-occupied and rental housing rehabilitation.

Small Rental Property Program

The Small Rental Property Program in Louisiana provides funding to property owners to repair their storm-damaged, small-scale rental properties (1 to 4 units) and make their units available to low- and moderate-income tenants at affordable rates. The current Small Rental numbers show the program is making steady progress in producing affordable units. There have been 2,111 closings held to date, yielding 3,090 affordable units statewide. With the City of New Orleans suffering a great deal of housing loss, the Small Rental Property Program has had a significant impact by producing 2,564 affordable housing units within the city. The impact of the program has not only created much needed affordable housing opportunities, but also revitalized economic opportunities for struggling small landlords across the disaster-affected region.

Due to the economic downturn, Louisiana retooled its program design from initially having landlords receive their incentive awards upon completion of repairs to being able to receive up-front financing. The program's retooling also included a new option that provides program property owners advance financing to cover repair and rebuilding expenses in exchange for providing affordable housing once the property is repaired. This new option has taken some time to get traction, but presents an opportunity for innovative partnerships between the State and local non-profits. I anticipate that these partnerships will blossom to include local contractors and community financial institutions.

HOME

HOME is the largest Federal block grant to State and local governments designed exclusively to create affordable housing for low-income households. The city of New Orleans has committed almost \$120 million in HOME program funds to rental development, homeowner rehabilitation projects, and assistance to new homebuyers since October 1, 2006. Of this amount, approximately \$73 million has been expended thus far, resulting in 1,451 completed housing units, including 405 new rental apartments and 378 rehabilitated homeowner-occupied dwellings. The state of Louisiana has used over \$12 million of its HOME funds to complete 256 units during this period, almost all of which was used to assist new homebuyers.

Serving the Most Vulnerable Populations

Madam Chairwoman, we've long known that the most vulnerable populations – particularly the homeless, the disabled, the elderly, and people of low income – are severely and particularly impacted by disasters. Hurricanes Katrina and Rita gave a new scope to this problem, and HUD worked with Congress to meet the needs of these individuals and families.

Homelessness in New Orleans (Shelter Plus Care)

Madam Chairwoman, Hurricanes Katrina and Rita did much to reveal the problem of homelessness in New Orleans, and even more to contribute to it. I imagine none of us here will ever forget the images of people setting up and living in "tent cities" outside City Hall, and HUD remains committed to meeting the needs of those individuals and families.

To give you a sense of how Katrina helped create an explosion in local homelessness, in January 2005, the New Orleans/Jefferson Parish Continuum of Care reported having a total of 2,051 homeless persons. In 2009, that number increased to 8,725 persons – a 325 percent increase four years after Hurricane Katrina. Moreover, the number of chronically homeless persons has increased in the same time period by over 1400 percent - from less than 300 in 2005 to over 4500 in 2009.

Since Hurricane Katrina, the Office of Special Needs Assistance Programs has awarded nearly \$55 million of Continuum of Care funds to the New Orleans/Jefferson Parish Continuum of Care. Funds are used to provide permanent and transitional supportive housing for the area's homeless. To serve the hard-to-reach homeless population that was displaced as a result of the hurricane, HUD awarded \$330,530 to UNITY of Greater New Orleans to provide outreach and

case management to the homeless population living on the street, under area bridges, abandoned buildings and other places not meant for human habilitation. In 2008, the City of New Orleans was awarded a Rapid Re-Housing Demonstration Program grant to get homeless families out of shelters and off of the streets. Over a three-year grant term, the project will re-house 366 homeless families.

HUD's Shelter Plus Care Program provides rental assistance for hard-to-serve homeless persons with disabilities, along with supportive services funded from sources outside the program. In 2008, HUD awarded the State of Louisiana a \$50 million Shelter Plus Care grant. Managed by the Louisiana Office of Community Development (OCD) in collaboration with five Continuums of Care (CoC) that represent and serve the area of the Gulf Opportunity Zone, these funds will provide rent subsidies for 1,000 units and will provide services to support the participants in permanent housing over a five-year period. Of the 875 units allocated for this area, one-half of the rental subsidies (438 subsidies) will be dedicated for chronically homeless individuals serving the Greater New Orleans area.

Thanks to the Obama Administration and Congressional support of the Recovery Act, another resource available to families and individuals affected by Hurricane Katrina is the Homelessness Prevention and Rapid Re-Housing Program (HPRP). This program allows localities to provide financial assistance and services to either prevent individuals and families from becoming homeless, or help those who are experiencing homelessness to be quickly re-housed and stabilized. Last year, the City of New Orleans received a \$7.6 million HPRP grant. Jefferson Parish received \$1.5 million and the State of Louisiana allocated \$2 million to the City of New Orleans and \$700,000 to the Jefferson Parish. Thus far, 433 people in New Orleans and Jefferson Parish have been served by HPRP funds. I would also like to note that based on the concern of the HUD Office of Special Needs Assistance Programs' (SNAPS) concern the City of New Orleans' slow-startup due to negotiations associated with the terms of the contract, the SNAPS Office Director visited the city to personally address and resolve all outstanding issues.

Permanent Supportive Housing Vouchers

Hurricanes Katrina and Rita also created particular challenges for people whose needs extended beyond housing, including the elderly and disabled. As you know, Madam Chairwoman, in an unprecedented provision of resources, Congress provided the state of Louisiana \$23 million to fund vouchers to help making housing affordable for these individuals and families. These vouchers were joined with newly developed housing units and privately developed multi-family housing complexes. Individuals living in these units received the special supportive services that they needed. These vouchers will help subsidize about 200 families a year in the state of Louisiana.

Obama Administration's New Approach to Gulf Needs

Despite the work done by HUD and other government agencies in the years preceding the Obama Administration, Madam Chairwoman, President Obama took office with substantial challenges remaining on the Gulf Coast and approached those challenges with a new commitment to the Gulf Coast's long-term needs. During President Obama's tenure, HUD and

the Administration as a whole has not only been aggressive in dealing with these challenges, but has brought a new focus on the much-needed project of transitioning from pure recovery efforts to a broader revitalization of the region. Madam Chairwoman, this is my sixth visit to the Gulf since becoming HUD Secretary to see for myself the progress we're making and the work that still remains for us to do.

I would like to summarize and update for you our recent progress and goals for the future on the Gulf Coast.

Providing Families with Permanent Housing Support

Madam Chairwoman, as you know, within days of President Obama's inauguration, I learned that tens of thousands of families would be adversely impacted when the Disaster Housing Assistance Program (DHAP) came to an end. The lives of these families had already been ruined once – by the natural disasters Katrina and Rita. And here they were, about to be victimized yet again – this time, by a man-made disaster. To me—to all of us at HUD—that was completely unacceptable.

And so, together with our partners in the Administration, we announced a transition plan for these families on which I would like to give you an update.

DHAP-Katrina Transitional Closeout Plan (TCP)

Initially begun in September 2007, DHAP was structured to provide post disaster rental assistance and related case management services for 18 months, with an end date of March 1, 2009. In February 2009, 30,533 families were receiving rental assistance and case management services through the program, and would have lost this assistance without quick action by the Obama Administration and HUD. I'm proud to say that we provided a DHAP-Katrina Transitional Closeout Plan (TCP) that extended the end date to October 31, 2009.

DHAP-Katrina Conversion Vouchers (DHAP to HCV)

Housing Choice Vouchers (HCV) are available for incremental housing assistance for people assisted under DHAP-Katrina whose assistance would have otherwise ended on March 1, 2009. Congress appropriated funding for "Tenant-Based Rental Assistance," as authorized under the United States Housing Act of 1937 to assist families participating in DHAP-Katrina. This appropriation provided \$85 million in HCV funding, to remain available until expended, for incremental housing assistance. Of the 30,533 families on the DHAP-Katrina program, 12,300 were eligible for permanent Housing Choice Vouchers and converted from DHAP-Katrina to the HCV program.

Those families that were not eligible for HCV assistance were provided a structure of reduced rental payments that more easily facilitated the transition of families to self-sufficiency.

Homelessness Prevention and Rapid Re-Housing Program Under ARRA (HPRP)

Madam Chairwoman, the Obama Administration and Congress also committed to helping displaced Gulf Coast residents with the passage of the Homelessness Prevention and Rapid Re-Housing Program (HPRP) under the Recovery Act. Under HPRP, grants are distributed to states and communities to both prevent homelessness and provide rapid re-housing assistance to those who are already homeless. Louisiana has received \$13.5 million in funding under HPRP, and Mississippi has received \$13.3 million.

Real Estate-Owned Single-Family (REO)

This January, HUD's Office of Housing entered into an agreement with HUD's Office of Public and Indian Housing to sell 486 properties that were still occupied by Katrina evacuees to the evacuees, allowing residents to own the homes on a permanent basis. This agreement sets forth the expectation of both offices to ensure the successful transfer of properties and gives each individual or family the opportunity to rent a private market rental unit or purchase the HUD Real Estate-Owned property they currently reside in. A total of 62 properties have been sold as of July 2010.

Temporary Housing Unit to Housing Choice Voucher (THU to HCV)

As I already explained, Madam Chairwoman, HUD worked with FEMA and Public Housing Agencies to transition 12,000 eligible families from DHAP to Housing Choice Vouchers. At the same time, as I took over as HUD Secretary, I learned that over 7,600 families remained in temporary housing units, throughout the Gulf Coast. My staff worked with staff at FEMA to move as many of these families as possible out of these units and into permanent housing. I am pleased to say that now we've made great strides, and only 883 families remain. We're committed to completing the job and placing each of those 883 into a permanent housing solution.

One of the vehicles we use to transition these families to permanent housing came through the Supplemental Appropriations Act for Fiscal Year 2009, which provided \$80 million in funding for HCVs to Public Housing Agencies in areas impacted by Hurricanes Katrina and Rita. Funding was awarded through a competition, with the primary criteria being location in the Presidentially Declared Disaster area. Fifty six agencies in Alabama, Florida, Louisiana, Mississippi, and Texas were awarded 9,778 vouchers under this appropriation.

In order to receive funding, PHAs were required to adopt local preferences for families displaced by Katrina or Rita. This included families that recently left FEMA's temporary housing units (THU) or the Alternative Housing Pilot Program Katrina Cottages (on or after June 24, 2009). In addition, PHAs were allowed to serve families on their regular wait list with this funding.

To date, 1,450 families have been assisted through this funding allocation, including some THU families. However, participation by THU families has been minimal despite extensive outreach and recruitment efforts by HUD, FEMA and the states.

From September 2009 to the present, HUD, PHAs, the Louisiana Recovery Authority

(LRA) and Mississippi Case Management Consortium (MCMC) implemented media campaigns, direct mail campaigns, and coordinated outreach (telephone and door to door) to cultivate interest among THU families in HCV assistance. Based on the number of applications submitted, level of outreach, coordination, and advertisement, there appears to be little interest in the HCV program on the part of THU families. For instance, HUD even facilitated movement of vouchers from Northern Mississippi agencies to areas of the Gulf Coast where THU families are concentrated, but the turnout for application events was extremely low. One likely reason for the lack of interest is the high number of homeowners residing in THUs on their own property, particularly in Louisiana.

HUD is working aggressively to increase leasing rates under this appropriation as part of a larger effort to maximize leasing across the HCV program. The Department expects to lease a majority of these vouchers before the end of CY 2010, as PHAs move away from targeting THU families and issue the HCVs to families on their waiting lists.

Meeting the Healthcare Needs of New Orleans Families

Hurricanes Katrina and Rita caused a significant amount of damage to critical infrastructure and supportive services across the Gulf Coast. In the wake of this destruction, the impact on healthcare was unprecedented. Damages associated with Katrina caused hospital closures throughout the region and to date, has left a critical void in healthcare services. The significant hospital closures in Orleans and St. Bernard Parishes placed a great strain on the healthcare facilities still operating in neighboring Jefferson and St. Tammany Parishes. The use of disaster recovery CDBG has been instrumental in addressing several of the essential healthcare needs of the region.

Currently, \$75 million in disaster recovery CDBG funding is being used by the City of New Orleans to assist in securing the site for the new VA Medical Center facility that will be across the street from the new University Medical Center (LSU). Together, these two facilities will fill a critical deficiency in healthcare for the region's veterans and the indigent and will serve as anchors for the Greater New Orleans Bio-Sciences Economic Development District for which \$2.4 million in CDBG funds have been used for district planning. The lack of medical services in New Orleans East will be addressed with the acquisition and renovation of Methodist Hospital. \$40 million in disaster recovery CDBG funds have been allocated by the city toward this project, \$16.25 million of which is being used for purchase and subsequent renovations.

Similar to New Orleans East, St. Bernard Parish has a large population lacking essential healthcare services that faces extraordinary time and distance challenges to receive critical care. St. Bernard Parish has broken ground on the \$69 million St. Bernard Parish Community Medical Center. This project is supported by \$41 million in disaster recovery CDBG funds, which will ensure acute care services for the parish's growing population. To help eliminate some of the strain on neighboring healthcare facilities, disaster recovery CDBG funds were also made available to East Jefferson Medical Center (\$2.775 million), West Jefferson Medical Center (\$2.8 Million) and Ochsner Clinic Foundation (\$2.775 million). These funds were used to perform storm related renovations and improvements to facilities that stepped up to shoulder the increased patient load due to closures across the metropolitan area.

The identified voids in services were also addressed through the establishment of community clinics. The New Orleans East Community Health Center was funded with \$1.1 million in disaster recovery CDBG funds to help fill the gap that was caused by the closure of Methodist Hospital. To meet additional needs left by hospital closures, the Tulane University Community Health Center was funded with \$1 million in disaster recovery CDBG and \$800,000 in entitlement CDBG funds.

Of course, Hurricane Rita caused significant damage to healthcare services in Cameron Parish. To address Cameron's healthcare issues and concerns, \$4 million in disaster recovery CDBG funds were invested in the construction of a \$21 million hospital facility in Lower Cameron.

Toward that end, today, Madam Chairwoman, I'm pleased to announce that HUD has approved the use of CDBG funds to help keep 87 community health clinics open, reducing the strain on emergency rooms and improving access to healthcare for the families who need it most.

Unmet Needs

Madam Chairwoman, early on, it became clear that far too many Gulf Coast residents—through no fault of their own—had become stuck in the recovery process due to numerous challenges and barriers. Many had fallen victim to previously existing regulatory barriers which failed to account for the true cost of displacement, leaving them unable to complete the rebuilding of their home – or their lives.

In the Obama Administration, HUD has provided the additional clarity and guidance to states that gives them flexibility to address identified unmet needs. Through the Department's close work with the states, we have been able to break through those barriers to arrive at solutions which enable us to get the job done.

Non-Profit Rebuilding Program

My own experience in New Orleans in June 2009 made me determined to find better ways of getting needed resources to people on the ground. I saw for myself what non-profit organizations can do when, along with my family, I joined the St. Bernard Project in volunteering to help rebuild the homes of two families. One was an elderly woman living alone in New Orleans East, and the other was a retired couple in which the wife was suffering from advanced Alzheimer's disease and was confined to a wheelchair.

The work of the St. Bernard Project, and so many non-profits just like it, let me to believe that these extraordinary organizations could do much more if they were also the recipients of federal money. The Non-Profit Rebuilding Programs, started by the states of Louisiana and Mississippi, allowed non-profit organizations to put hundreds of Katrina and Rita victims in houses without the benefit of any federal money. That's why under the Non-Profit Rebuilding

Program of Louisiana, we've provided \$23 million in funding to these groups to encourage and facilitate their continued assistance to affected residents.

Additional Compensation Grants

Madam Chairwoman, I'm proud to say that one of the largest impacts in the progress of the recovery is the removal of the \$50,000 cap for Additional Compensation Grants under the Road Home program. Low-income families had an artificial cap that restrained their benefits and constrained their recovery. Motivated by the belief that government needs to stand with low-income families as they recover, rather than stand in their way, HUD worked closely with the State of Louisiana to provide the flexibility to remove this cap, thus allowing more than \$435 million to be disbursed to thousands of low- and moderate-income families. While the maximum overall Road Home award remains at \$150,000, this additional funding has enabled many households to bring their repair and reconstruction to completion. As more and more families are able to complete repairs and get back into their homes, this has a direct impact on reducing blight and continuing to drive neighborhood recovery.

Multifamily Housing

Madam Chairwoman, HUD's work to restore housing in the Gulf Coast is not limited to homeownership. As a federal government, and particularly as an agency, we have made a significant investment, with a particular focus under the Obama Administration, to developing new multifamily housing and returning damaged multifamily housing stock to commerce. Let me talk for a moment about some of our efforts on this front.

GO Zone Tax Credits

Without an extension of the Placed-in-Service date on GO Zone Low Income Housing Tax Credits (LIHTCs) to December 31, 2012, a total of more than 6,000 Gulf Coast affordable housing units are unlikely to be completed and an estimated 13,000 construction-related jobs are in jeopardy.

After Hurricanes Katrina and Rita, Congress issued a special allocation of LIHTCs to aid in the development of affordable housing in affected Gulf States. These LIHTCs, known as Gulf Opportunity Zone or GO Zone Tax Credits, are set to expire on December 31, 2010. Because of the devaluation of the LIHTC and the tightening credit market, some projects that are funded with GO Zone Tax Credits have been stalled and are unlikely to meet this expiration deadline for being placed in service. Madam Chairwoman, the two-year extension passed as part of H.R. 4213 would provide the time needed to finish the work to keep critical investments and complete the work on these critical projects, and I'd like to thank you for your efforts. However, the two Chambers have not been able to reach agreement and pass similar versions of a comprehensive tax extenders/jobs package that includes this extension.

As you know, Madam Chairwoman, this extension is particularly important for the Housing Authority of New Orleans's (HANO) Big 4 housing developments. These developments were destroyed by Katrina and Rita and have left a gaping hole in the availability

of low income housing in New Orleans. The rebuilding of these developments depends on a mixture of Federal, State, and private sector funds. While I'm pleased to report that residents are now living in Columbia Parc and Harmony Oaks, two of the Big 4, if the two-year placed in service extension is not enacted, development will halt at the remaining Big 4. Consequently, millions of federal, tax credit and developer dollars will be lost as well as several thousand jobs, critically needed housing, and subsequent tax-base contributions.

Overall, Congress provided the impacted states (Louisiana, Mississippi, and Alabama) a total allocation of \$323M in low-income housing tax credits to rebuild from the 2005 storms. To date, 77 projects worth over \$80M have yet to be placed-in-service.

Due to the credit crisis and resulting constraints on the equity markets through the end of 2008 and well into calendar year 2009, syndicators and equity providers were unwilling to close on their GO Zone Credit investment commitments without an extension of the December 31, 2010 Placed-in-Service deadline for GO Zone Credits.

Construction of major developments requires not less than 18 to 24 months from construction start to completion and receipt of certificates of occupancy. Therefore, a one year extension of the placed in service deadline to the end of December 2011, which represents 16 months if the deadline were extended today, would not align with the construction schedule of any major development, much less unexpected delays. A two-year extension would accommodate for weather or other unforeseen, yet reasonable, delays.

Many Tax Credit Syndicators and Investors with respect to major developments, including HANO's big 4 developments, will continue to refrain from closing if there is not sufficient time to get to closing (minimum 45 to 60 days) and to commence construction and complete construction (not less than 18 to 24 months from closing) by the extended placed in service deadline.

Piggyback Program

The LIHTC-CDBG program (referred to as the "Piggyback" program) supports affordability for especially low-income Louisianans in properties receiving Gulf Opportunity Zone (GO Zone) Low Income Housing Tax Credits. The Piggyback program has been a critical component in producing affordable housing across the disaster affected regions of the state of Louisiana. To date, Piggyback is responsible for restoring 2,832 total units, of which, 1,385 are affordable with 177 serving as permanent supportive housing. Examples of Piggyback's versatility and importance to this recovering region are evident in funds being used to solidify deals for the Housing Authority of New Orleans' "Big 4" public housing developments. The additional subsidy of development costs helped drive down rent for GO Zone LIHTC residents, including some in the Big 4. These dollars have helped to transform neighborhoods that were once desolate, into viable communities that will lead a resilient recovery effort.

Privately-Owned HUD-Subsidized Housing

Prior to Hurricane Katrina, HUD had a significant investment in private multi-family housing throughout the Gulf Coast. There were 407 properties with 35,943 units impacted by Hurricane Katrina in the state of Louisiana with the majority of the units being located in New Orleans. Of those properties, there are 13 projects still not operational at this time which represents 1, 260 units. All projects impacted are currently being rehabilitated or rebuilt, or there is a disposition plan for the property.

We have also relocated projects and utilized statutory authority to move the Section 8 HAP contracts and Use Agreements within the New Orleans Area in order to preserve the affordable housing.

With many of the projects, the owners have had many challenges in rebuilding or rehabilitating their projects. The challenges included the lack of services returning to the neighborhoods (lack of grocery store, medical and transportation services), the increased costs of building materials, the enhanced permit processes and long deliberations regarding flood plain determinations.

Creating Economic Opportunity for Families

Madam Chairwoman, as I indicated earlier, HUD under the Obama Administration is not just committed to helping the Gulf Coast recover from a disaster – it is committed to revitalizing the region. Housing is of course critically important to that effort, but it is not by itself sufficient for complete revitalization. We must rebuild and strengthen the economy of the Gulf Coast and help lay a foundation for long-term progress. Let me talk about some of the Obama Administration's efforts to do that.

Economic Development in Louisiana and Mississippi

Louisiana

Since the devastating storms of 2005 and 2008, Louisiana has embarked on a long and comprehensive path to recovery. The affects of the disasters were not limited to housing and critical infrastructure, but also shook the foundation of economic development and growth throughout the state. The use of CDBG disaster recovery funds has touched thousands of individuals, businesses and industries from Louisiana's coastal communities to the Northern cities in the Delta. The state of Louisiana has invested over \$330 million in economic development activities that included assistance to small businesses through grants, loans and technical assistance. These activities also included funding for tourism and marketing, as well as innovative and progressive recovery support provided for Louisiana's higher education institutions.

In the wake of multiple adversities, CDBG disaster recovery funds have assisted the Louisiana fisheries industry in its attempts to achieve stabilization. After Hurricanes Katrina and Rita, Louisiana fishermen were assisted with \$28.9 million in small firm grants and loans. Hurricanes Ike and Gustav dealt the industry another blow, and Disaster CDBG responded with an additional \$32.3 million for assistance to individual fisherman, fishery businesses and

industry modernization activities. In light of the BP oil spill, existing CDBG disaster recovery allocated to these purposes help support Louisiana's fishing industry.

CDBG disaster recovery funds have aided the City of New Orleans by providing opportunities for increased partnerships and participation in the State's overall recovery efforts. An example of such an opportunity is the State's partnership with a consortium of local non-profits, created to offer vital assistance in the Small Rental Property Program. The City of New Orleans has committed to participating in this partnership. This opportunity creates an environment conducive to further economic development growth for local non-profits, small landlords, and local minority contractors throughout the City of New Orleans. HUD will assist in providing technical assistance and support to ensure this partnership's success.

Mississippi

Economic development activities funded in Mississippi with CDBG disaster recovery dollars have taken a variety of forms. The \$272 million Economic Development Program has helped to create new jobs by funding public infrastructure improvements and eligible training activities to benefit private, for-profit businesses. This amount encompasses \$20 million for the Jackson County Maritime Trades Academy that will help train more people for shipbuilding jobs and an additional \$5 million allocated to tourism restoration grants. Given that functioning public infrastructure is a prerequisite to economic development, it is important to view the State's Community Revitalization Grant program (\$252 million) and the Hancock County Unmet Needs program (\$200 million) as important contributors to the recovery of Mississippi's Gulf Coast.

The most significant single economic development activity undertaken by the state is the restoration of the Port of Gulfport. Approximately \$570 million has been allocated to this project to facilitate the restoration of the Port of Gulfport's public infrastructure and its publicly owned facilities that were destroyed by Hurricane Katrina. This program will assist in the long-term recovery of the operating capacity of the Port. We are working with the state to ensure an increase to the labor force on the Mississippi Gulf Coast by creating and returning jobs in the region, with an emphasis on low- to moderate-income jobs.

Economic Participation for Low-Income Gulf Coast Residents

At HUD, we believe that public housing is not only a place for families to find safe, affordable housing – it also provides an opportunity to create jobs for those who live there. Under Section 3 of the Housing Act of 1968, recipients of HUD funding for rental assistance and community development are subject to certain requirements concerning hiring and contracting preferences in the expenditure of funds. Better implementation of Section 3 is a priority of the Obama Administration, as part of a set of multifaceted strategies to improve the economic well-being of low-income individuals and communities. Allow me to give you an update on our implementation of Section 3 in New Orleans.

The Housing Authority of New Orleans (HANO) is currently administering four HOPE VI sites as well as the "Big 4" for a total of 7 distinct sites undergoing development. Harmony

Oaks doubles as both HOPE VI and Big 4. HOPE VI sites will include Harmony Oaks, St. Thomas, Desire, and Fischer, which are currently serving a combined caseload of 2,210 HANO residents. Current Community Support Services (CSS) include comprehensive case management, senior wellness, youth life skills and academic achievement, parenting skills development, homeownership, health education and economic development. Because poverty levels of HANO residents are so high, education, employment and job placement are also paramount to all CSS service plans.

Since January 2008, development related activities have resulted in 833 adults being placed in new jobs of which 268 (32 percent) qualify as Section 3 placements. To achieve this, 790 HANO residents participated in both soft skills and job skills training; 229 (30 percent) residents completed the training. Harmony Oaks Construction Training Program (HOCTP) facilitated by Urban Strategies has graduated four classes and a total of 78, while Lafitte supported by Catholic Charities has qualified over 800 residents and local citizens as Section 3 Certified and ready for employment. The economic impact of HUD's investment in HANO physical development and community support services activity is an estimated gain of \$21.6 million in new annual income for residents and other low-income New Orleans citizens. HANO also placed 100 youth residents in summer jobs this summer and an estimated 200 additional HANO youth received career specific job placement via the City's Workforce Development program as well.

I am pleased to report that there is improved coordination among the contracted community support service entities, due to the HANO Master Partnership Agreement supported by the Big 4, HOPE VI sites and 5 local major service providers. One notable example of this new collaboration is the recent effort initiated by HUD and orchestrated locally by Urban Strategies to secure \$1 million of CDBG Funds to support a subsidized employment program. If funded, this program will result in approximately 200 adults securing both soft skills and job skills through direct, on the job training.

Section 3 Employment & Contracting Activity Update

I've already talked about development of the Big 4. One of the positive aspects of the Big 4 is the economic opportunity they've created for HANO public housing residents. Allow me to tell you a little bit about what is happening.

C. J. Peete Developer – Central City Partners

Urban Strategies, the development team's community and supportive services provider, has an aggressive Section 3 outreach awareness campaign currently underway. Section 3 encourages hiring of local residents of low and very low income. A designated coordinator attends planned construction meetings and meets frequently with construction hiring staff to fit Section 3 candidates with open and new positions. Thus far, four contractors have become certified through this recent effort.

Three Section 3 businesses have secured general construction contracts in dollar values ranging from \$2,000 to \$780,148. The total value of the five Section 3 construction contracts is

\$1,345,814. One onsite subcontractor that operates as a smaller general contractor awaits official award of a prime contract with the homeownership developer to construct its offsite homeownership units.

Lafitte Developer – Providence/Enterprise

Fifty-seven percent (57%) of the Lafitte Developer's new hires are Section 3 residents, although the project is still in its planning phase. The Lafitte Redevelopment Project maintains a Ready to Hire Database of 808 Section (3) Residents. A total of 643 individuals included in the Ready to Hire Database have completed Lafitte Redevelopment Project (LRP) Intake Forms. In addition, LRP has verified whether these individuals are eligible to participate in the project as Section (3) Residents. LRP continues to receive at least 20 new intake forms each week. As the project grows, the Ready to Hire Database will continue to be an asset in efforts to meet the Section 3 Resident New Hire goal.

St. Bernard Developer – Columbia Residential St. Bernard Redevelopment, LLC

Through their outreach efforts, the St. Bernard Development partner has identified more than 600 interested workers who have been certified as eligible for Section 3 hiring since January 2008. Over 79 percent of the developer's new hires were Section 3 employees. To date, 101 new Section 3 residents were hired primarily in construction related positions.

B. W. Cooper Developer – Keith B. Key (KBK) Enterprises

The B. W. Cooper developer, KBK Enterprises, is a Minority Business Enterprise (MDB) and has partnered with the B. W. Cooper Resident Management Corporation which will provide some property management services at the redeveloped site. In connection with the redevelopment activities at B. W. Cooper, 36 Section 3 residents have been hired to date. Moreover, the B.W. Cooper Resident Management Corporation (RMC) maintains a Ready to Hire Database of 250 Section (3) Residents.

The range of the contract sizes for the various subcontract work performed by the Resident Management Corporation varies from \$3,700 to \$72,000. In addition, once the development is completed, the Resident Management Corporation will become a part of the permanent management structure which will represent an approximate contract amount of \$150,000, annually.

As a result of this project, the Resident Management Corporation will have a major role in the management of the redeveloped site. That management role will include the opportunity to participate in the management of market rate units and low income housing tax credit units with a role far more expansive than initially projected.

Fair Housing in the Gulf Coast

Reflecting a key Presidential priority, this Administration will continue to press to ensure that opportunity is available to all people, regardless of race, color, national origin, gender,

sexual orientation or gender identity, religion, disability, or familial status. No one should have to wonder if who they are or where they came from somehow influenced the outcome of whether they could receive a mortgage, access to economic opportunity, or assistance to aid in their recovery from a disaster.

While I acknowledge those who argue that the federal government hasn't fully lived up to its fair housing commitments to date in the Gulf, let me be clear: As HUD Secretary, I have and will continue to commit us to enforcement of fair housing laws and access to economic opportunity. That's why here in St. Bernard Parish, I'm proud to report today that HUD has taken enforcement action against unfair housing practices and blatant discrimination.

Currently, HUD's Office of Fair Housing and Equal Opportunity (FHEO) is investigating several complaints concerning new rental permit practices that allegedly restrict rental housing for African Americans attempting to return to their homes after Hurricane Katrina. The alleged restrictive practices include the imposition of distance requirements limiting the number of properties that can be made available for rent in single-family residential neighborhoods, as well as new permitting requirements for properties that have become available for rent since Hurricane Katrina. The Fair Housing Office is also investigating practices that may be impeding the availability of federally-assisted housing to families most in need. The Office will complete investigations of these cases and render determinations. Should the results of these investigations show violations of the Fair Housing Act or other civil rights statutes, HUD will take necessary enforcement action, including the conditioning or withholding federal funding if appropriate.

New Orleans-Specific Recovery Update

It's hard to talk about the devastation of Hurricanes Katrina and Rita, and the recovery from these terrible storms without giving particular focus to the city of New Orleans. Having addressed some of the broader challenges and Administration responses issues confronting post-Katrina and Rita Gulf Coast, I would now like to briefly update some of the programs and efforts unique to New Orleans.

Neighborhood Stabilization Program

As you well know, Madam Chairwoman, blight is a significant issue in post-Katrina New Orleans. One program that will help address this challenge is the Neighborhood Stabilization Program (NSP). NSP was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. Through the purchase and redevelopment of foreclosed and abandoned homes and residential properties, the goal of the program is being realized. The City of New Orleans received \$2.3 million in NSP funding under the 2008 Housing and Economic Recovery Act, with plans to support the acquisition and redevelopment of vacant, abandoned or foreclosed multi-unit properties. In addition, more than half of the funds will be allocated to supportive housing for tenants below 50 percent AMI with special needs, if suitable projects can be identified. New Orleans initially had difficulty finding and processing projects, with obligated amounts at zero percent as of August 9, 2010. However, Mayor Landrieu has instituted new procedures to ensure that the city would select high quality housing projects using

a professional procurement process, along with technical assistance provided by Enterprise Community Partners, to help the city to obligate 100 percent of its NSP1 funding by September 30, as required in the NSP legislation.

Enterprise has helped the city to meet this objective, by assisting with advertising for developers, selecting projects, and making recommendations to the Mayor and City Council. I'm happy to report that that process is nearing completion and HUD expects New Orleans to obligate 100 percent of its grant in the next few weeks. Two multifamily housing developments will receive NSP funds for redevelopment and should get underway soon after the city approves their contracts.

Transforming New Orleans' Public Housing

Madam Chairwoman, we firmly believe that in order to hold ourselves accountable to accurately evaluate whether we've truly produced results for the people of the Gulf Coast, we need measurable indicators of access. To that end, as part of HUD's 2010-2015 Strategic Plan, one of our agency's "measures of success" includes "Increasing the percentage of Gulf Coast homes in Louisiana, Mississippi, and Texas that have been reoccupied or converted to another viable purpose after being severely impacted by Hurricanes Katrina and Rita in 2005."

For HUD, nowhere is the Administration's bedrock commitment to helping build the city's capacity to produce results for families clearer than our commitment to getting its public housing authority right – to creating a first-class housing organization that can be a model for the rest of the country. This commitment requires effective leadership, strong oversight, and no tolerance for corruption.

As you know, Madam Chairwoman, the Housing Authority of New Orleans (HANO) has been plagued with mismanagement for years. Since February 2002, HANO has been under HUD administrative receivership, a process whereby HUD takes control of a troubled PHA and appoints staff to work on-sight, manage operations, and provide oversight. It's functioning as a well-running organization is important to the overall recovery of the city of New Orleans.

To be sure, we still have a long way to go. But with the leadership of David Gilmore who is in charge of the "Turnaround Team" we named last October, we are beginning to see real progress.

Mr. Gilmore brings nearly 40 years of experience in public housing, and won national recognition for restoring the nation's worst performing housing authority in DC. In addition to developing new assisted housing units in New Orleans, fostering social service relationships to refer special preference families to the HCV Program and working through the current HCV waiting list to provide assistance to lower income families, the Receivership Team is engaging in long term strategic planning to enhance agency operations.

HANO has brought on a number of new staff to focus on legal matters, special projects, and technological advancement to improve the overall efficiency of the agency. To assist with the ongoing housing related effects of Hurricane Katrina, HANO has established a relationship

with the State of Louisiana Disaster Recovery Unit. HUD established an Advisory Panel to provide counsel to the receivership team and members include regional University and school officials, clergy, members of the private sector, and staff to the Louisiana Congressional delegation.

Prior to Hurricane Katrina in 2005, the Housing Authority of New Orleans (HANO) which has been under HUD Administrative Receivership since 2002, was transitioning from conventional public housing to mixed-income, mixed-use redevelopment.

At the time Katrina struck, there were 7,379 public housing units, of which 5,146 were occupied. Since the hurricane, HUD and HANO have been committed to providing housing for all public housing residents and Housing Choice Voucher holders who want to come back to New Orleans, and we have prepared a redevelopment plan to facilitate their return.

Lessons Learned

Madam Chairwoman, it is clear that since Hurricanes Katrina and Rita devastated New Orleans the Gulf Coast, HUD and our partners throughout the federal government have made both real progress and significant missteps in responding to the crisis. But from both experiences, we have learned valuable lessons for the recovery and revitalization going forward and what we might do better during and after the next natural disaster that strikes our country.

Most importantly, I would say that the Gulf Coast experience has taught us that preparation is essential. All levels of government, as well as individuals, should have a regularly updated and enhanced disaster recovery plan.

We at HUD and throughout the government have done much to repair the Gulf after the hurricane disaster. But working toward disaster mitigation efforts before the next crisis hits will leave us in a much stronger position for the aftermath. Whether rebuilding devastated homes or building entirely new ones, we must all make sure that it is done safer, stronger, and smarter than before.

As you know well, the state of Louisiana was not only victimized by Hurricanes Katrina and Rita. Just three years later, Hurricanes Ike and Gustav caused severe damage to some of the same communities as they were in the midst of their recovery from the earlier storms. Some of these communities fared better after the latest storms because of particular efforts made towards disaster risk mitigation and resiliency to the effects of storms. That is why as HUD Secretary, I made an effort to encourage communities to do more activity like this during their recovery.

In 2008, Madam Chairwoman, you and your fellow members of Congress provided over \$6 billion in Disaster CDBG for communities impacted by disasters in that year. HUD allocated the vast majority of this money to states that were impacted by disasters. In fact, the state of Louisiana received \$1 billion to aid in its recovery from Hurricanes Ike and Gustav. I made the decision to create what we call the Disaster Relief Enhance Fund (DREF). The DREF is a roughly \$311 million pool used to incentivize states recovering from disasters to use their funds in activities that would mitigate against future disasters and prepare them for recovery should a

disaster occur. With its \$1 billion, the state of Louisiana has planned to use \$91.2 million for DREF-eligible activities. As a reward for engaging in these forward-thinking activities, I'm pleased to announce that just this week HUD awarded the state of Louisiana over \$32 million from the DREF. According to an independent study by the National Institute of Building Sciences, every dollar spent on disaster mitigation activities saves taxpayers \$4 in future disaster recovery expenses. Since Louisiana has \$91 million in potential disaster mitigation investments, the state's total anticipated return on investment is over \$364 million.

And finally, Madame Chairwoman, you have shared with me and I have heard directly from your constituents the frustrations that come from dealing with an uncoordinated federal partner during the previous Administration. That is why President Obama and all of us in his Cabinet have made a concerted effort to work together to aid Louisiana and other states throughout the nation that are faced with recovering from disasters. I'm proud to say that the Obama Administration recognized this lesson early, and HUD's experience of working in concert with other federal agencies to coordinate our effort and impact has produced results. A unified response to disaster that breaks down silos and collaborates on resident need will lead to a faster, stronger recovery and redevelopment of communities.

Long-Term Disaster Recovery

In September 2009, the President asked me and Department of Homeland Security Secretary Janet Napolitano to lead the Long-Term Disaster Recovery Working Group. Through a six-month outreach effort with stakeholders across the country, this interagency group examined current disaster recovery practices and developed specific recommendations for strengthening long-term disaster recovery at the Federal, Tribal, State, and local levels. The group developed a draft report, which is awaiting interagency review and White House approval, that proposes a new approach to long-term recovery by addressing the way in which all players – government at all levels, the private sector, non-profits, communities, and individuals – prepare for and recover from a disaster. Concurrent to this effort and meeting a Congressional requirement, the Federal government has also worked with stakeholders to draft a National Disaster Recovery Framework. This draft framework identifies roles and missions, defines shared responsibilities across all levels of government, and outlines how long-term recovery will be implemented under current authorities.

Conclusion

Thank you, Madam Chairwoman, for the opportunity to talk about our efforts in New Orleans and the Gulf Coast. Clearly, given the scope of the problem we were faced with, more work needs to be done, and I look forward to continuing to work with you and other members of the committee on ensuring that the residents of New Orleans the Gulf Coast have every opportunity to rebuild their lives and their communities.

But with our continued efforts to provide resources, cut through red tape, and listen to the voices of people on the ground discussing their housing needs, I believe the Obama Administration has made substantial progress; we are understanding what works and what must

still be improved. Going forward, we will apply those lessons learned to help revitalize the Gulf Coast region.

And with that, I would be happy to answer any questions you may have. Thank you.